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COUNTY OF LOS ANGELES TREASURER AND TAX COLLECTOR

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November 19, 2015

TO: Mayor Michael D. Antonovich
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe

FROM: Joseph Kelly 
Treasurer and Tax Collector

SUBJECT: **CYBER SECURITY ASSESSMENT**

This is to inform your Board that, working in collaboration with the Chief Executive Office Risk Manager (County Risk Manager), the Chief Information Office (CIO), and the Internal Services Department (ISD), I have requested a cyber security assessment of the Treasurer and Tax Collector's (TTC) eCommerce or online payment platform.

This assessment aligns with recent Board motions that focus on protecting sensitive personal information and ensuring periodic reviews of information technology and security policies, without being duplicative of the efforts underway in those areas.

Background

Since the TTC first introduced online payment options in December 2009, online payments have grown at a steady pace, approaching \$1 billion during the first installment period of October - December 2014. Over the same period, we have seen a decreasing trend in mail-in payments. These significant changes in payment methods and utilization required that we initiate a strategic review of our in-house remittance processing infrastructure, including a potential downsizing of that infrastructure.

The County's eCommerce payment systems, for the most part, are served by Fidelity Information Systems Inc. (FIS), through a contractual agreement with the CIO, which resulted from a competitive solicitation. Using the TTC as an example, a taxpayer accesses the TTC website and populates a shopping cart of parcels and associated payments. When the taxpayer is ready to pay, the TTC transfers the taxpayer to FIS' website for actual payment. Accordingly, only FIS has the checking account or credit/debit card input by the taxpayer. Should a cyber incident occur at FIS, taxpayers may lose

confidence in the safety of our online payment options, and may revert to sending us payment by mail. However, a downsized remittance processing infrastructure will not have the capacity to process such a significant increase in payments efficiently or timely, and taxpayers will be negatively impacted by increased processing times and delays in exception processing.

A Multi-Faceted Assessment

Cyber incidents can have financial, operational, legal, and reputational impacts. Costs may include forensic investigations, public relations campaigns, legal fees, consumer credit monitoring, and technology changes. As such, the cyber security assessment considers the TTC's and FIS' infrastructure and processes, FIS' compliance with payment industry best practices and contractual requirements, and third-party risk management.

The proposed assessment is comprised of three distinct components:

- Independent assessment of the TTC eCommerce infrastructure

Utilizing the CIO's Master Service Agreement, the TTC will contract with an experienced vendor to conduct an independent assessment of the TTC eCommerce infrastructure, through observation, testing and social engineering methods. The estimated cost to assess the payment processing infrastructure is approximately \$150,000. Although this expenditure was not included in the Department's annual budget, the TTC will work to identify funding within current resources, and/or explore external funding sources such as the Quality and Productivity Commission. We expect to finalize the procurement by the end of December 2015, and the vendor would complete the engagement several months after that.

- Full utilization of County inspection/audit rights in the FIS Contract

County staff, including the Chief Information Security Officer and the TTC Departmental Chief Information Officer, will perform on site reviews at FIS' offices of their information security vulnerability assessments, remediation efforts, data security procedures and practices to make sure they are consistent with applicable data security guidelines, and appropriate technical, organizational, administrative, and other security best practices. We expect this on site review to be completed by the end of this calendar year.

- Potential procurement of cyber insurance

The County Risk Manager is exploring options with regard to purchasing cyber liability insurance coverage.

Each Supervisor
November 19, 2015
Page 3

By April 1, 2016, I would hope to be able to provide your Board with a report of the assessment, its results, and corrective action plans, if any.

To be clear, the County has not received any notice of an eCommerce breach of any kind, and we are not aware of any matters that compromise the safety of our online payment options, as they exist today. Rather, this assessment is a pro-active undertaking to ensure the TTC's and FIS' respective eCommerce infrastructures align with best practice in not only preventing a breach, but also in detecting a breach should it occur. The assessment also includes a review of the role cyber insurance plays in managing cyber risk.

Should you have any questions, please contact me directly or your staff may contact Keith Knox, Chief Deputy Treasurer and Tax Collector, at (213) 974-0703.

JK:sld

Assessor
Auditor-Controller
Chief Executive Office
Chief Information Office
Internal Services Department